

STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD

**FY2023 HOSPITAL BUDGET DECISION AND ORDER**

In re: Brattleboro Memorial Hospital ) Docket No. 22-001-H  
Fiscal Year 2023 )  
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**INTRODUCTION**

This year the Green Mountain Care Board’s (GMCB or “the Board”) annual process to establish hospital budgets comes at a critical time for Vermont’s hospital and health care providers. The combination of the highest inflation rates in decades, tremendous staffing pressures and shortages, and the continued challenges of the evolving COVID-19 pandemic that have beset hospitals and stretched hospital operations and finances. These extraordinary pressures and continued uncertainty have also impacted hospitals’ ability to make assumptions upon which to build budgets. The budgets established by the GMCB this year reflect the unprecedented situation facing Vermont’s hospitals. Nine of Vermont’s 14 community hospitals are projecting negative operating margins for FY22, with a systemwide total of approximately \$63.2 million in operating losses. See Preliminary Review of FY2023 Hospital Budget Submissions and Public Budget Hearing Exemptions, 25-26 (July 27, 2022) (Preliminary Review).

In July, the Board began reviewing the Fiscal Year 2023 (FY23) budgets of Vermont’s 14 general (community) hospitals for compliance with policy guidelines and financial targets adopted by the Board. The financial benchmarks include net patient revenue and fixed prospective payment (NPR/FPP) growth of not more than 8.6% in total for FY23 and FY24 over the approved FY22 budgets. See GMCB, FY 2022 Hospital Budget Guidance and Reporting Requirements, 5 (Mar. 31, 2022) (FY23 Guidance).<sup>1</sup> Utilizing its authority under Act 85 of 2022, the Board decided in August to allow hospital’s NPR/FPP growth to be evaluated from the hospitals’ FY22 projections to FY23 budget. The assumptions built into the hospitals’ FY22 budgets were proving to be inaccurate – inflation in FY22, as one prominent example, exceeded what hospitals were anticipating in their FY22 budgets – and the Board concluded that using projections based on FY22 actual results provided a more realistic view of growth. The hospitals’ FY23 budget submissions reflected a systemwide average NPR/FPP growth request of 10.2%<sup>2</sup> over the approved, systemwide FY22 NPR/FPP. Preliminary Review, 14. Individual hospital NPR/FPP growth ranged from 4.5% to 16.1% on a budget-to-budget basis. Id. Individual hospital NPR/FPP growth on a projection-to-budget basis ranged from 1.8% to 15.7%. See FY 2023 Vermont Hospital Budget Deliberations, 31 (August 31, 2022)

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<sup>1</sup> The hospitals’ FY23 budget materials, including their budget narratives and responses to questions, are available on the GMCB website at: <https://gmcboard.vermont.gov/FY23HospitalBudgets>. Transcripts of the hospital budget hearings and deliberations are available upon request.

<sup>2</sup> In accordance with the FY23 Guidance, hospitals may request “adjustments” to their approved FY22 NPR/FPP or FY23 request, which, if approved, are not factored into their total NPR/FPP increase. These adjustments most frequently reflect provider transfers but may also be driven by other accounting adjustments. See FY23 Guidance, 6.

(Deliberations I). Hospital budget submissions also reflected an overall estimated weighted average charge increase of 10.7%, with individual charge increases ranging from 3.5% to 17.8%. Preliminary Review, 10. The submitted charge increases would have resulted in an estimated weighted average commercial rate increase of 14.8%, with a range of approximately 2.9% to 19.9%. GMCB, FY 2023 Vermont Hospital Budget Debrief, 7 (September 28, 2022) (Approved Budgets).

Following public Board meetings, presentations by hospitals and GMCB staff, a special public comment period that closed on August 30, 2022, and a presentation and report on inflation from the State's economists, the Board deliberated on each hospital's budget using a decision tree approach and approved each hospital's budgeted NPR/FPP increase as submitted, resulting in an expected systemwide growth of 10.2%. The Board concluded that the hospitals' submitted NPR/FPP increase was warranted in light of the unprecedented challenges and the need to ensure access to care at Vermont's hospitals. The Board approved an estimated weighted average charge increase of 10.5%, with minimal change from the submitted change in charge, but the Board reduced the overall effective commercial rate increases by approximately \$31.7 million. The reduction in commercial rates were offset by projected increases in Medicare reimbursements and additional financial support from the Department of Vermont Health Access that was not known at the time hospitals submitted their FY23 budgets. See GMCB, Short Term Stabilization Drives FY 2023 Hospital Budget Decisions Long Term Hospital Sustainability Work on the Horizon (September 12, 2022).

Brattleboro Memorial Hospital (BMH) submitted its budget on July 1, 2022, requesting a 13.3% increase in NPR/FPP, and a 14.9% overall change in charge. On September 12, 2022 following GMCB staff presentations and deliberations, the Board approved BMH's FY23 budget with a modification. FY 2023 Vermont Hospital Budget Deliberations, 39 (September 12, 2022) (Deliberations III)

## **LEGAL FRAMEWORK**

Hospital budget review is one of the Board's core regulatory responsibilities. 18 V.S.A. §§ 9375(b)(7), 9456. The Board must establish each hospital's budget annually no later than September 15 and is required to issue written decisions reflecting each hospital's established budget by October 1. 18 V.S.A. § 9456(d)(1). In making its decisions, the Board is guided by its statutory charge "to promote the general good of the state by: (1) improving the health of the population; (2) reducing the per capita rate of growth in expenditures for health services in Vermont across all payers while ensuring that access to care and quality of care are not compromised; (3) enhancing the patient and health care professional experience of care; (4) recruiting and retaining high quality health care professionals; and (5) achieving administrative simplification in health care financing and delivery." 18 V.S.A. § 9372. Additionally, the Board must execute its duty of annually establishing each hospital's budget in a way that advances the principles of healthcare reform set forth in 18 V.S.A. § 9371. See 18 V.S.A. § 9375(a). The Board may adjust proposed budgets that fail to comply with the Board's established benchmarks and other guidance. GMCB Rule 3.000, § 3.305. The Board may also adjust a hospital's established budget based on the Board's independent review of a hospital's budget performance.

18 V.S.A. § 9456(f); GMCB Rule 3.000, § 3.401.

Hospitals bear the burden of persuasion in justifying their proposed budgets. GMCB Rule 3.000, § 3.306(a). During its review, the Board must consider numerous factors, including hospitals' utilization information and assumptions, community and state health care needs, the cost shift, hospitals' payer mix and performance under past budgets, public comments, and any other information the Board deems relevant. *See* 18 V.S.A. § 9456(b); GMCB Rule 3.000, § 3.306(b). Each approved budget must, among other requirements, be consistent with state and community health care needs, reflect the hospital's performance for prior years, take into consideration national, regional, or in-state peer group norms, according to indicators, ratios, and statistics established by the Board, and promote the hospital's efficient and economic operations. *See* 18 V.S.A. § 9456(c).

The Board annually adopts guidance by March 31 that establishes benchmarks for hospitals to use in developing and preparing their upcoming fiscal year's budgets. GMCB Rule 3.000, § 3.202. The Board issued guidance for FY23 budgets on March 31, 2022, after public meetings with Vermont hospitals, the Vermont Association of Hospitals and Health Systems, the Office of the Health Care Advocate (HCA) and other interested parties. *See* FY23 Guidance, 3, 4.<sup>3</sup> The Board set an NPR/FPP growth guidance of not more than an aggregate of 8.6% for FY23 and FY24, combined, over the approved FY22 budgets. FY23 Guidance, 5.

To "prioritize and maximize direct patient care, safeguard the stability of health care providers, and allow for orderly regulatory processes that are responsive to the evolving needs related to the COVID-19 pandemic," the Board was given authority to waive or permit variances from State laws, guidance, and standards with respect to several of its regulatory responsibilities, including hospital budget review, through March 31, 2023. Act 85 of 2022, §5(a).

Pursuant to its authority under Act 85, on August 31 the GMCB voted to allow each hospital's FY23 NPR/FPP to be reviewed based on its growth from the hospital's projected FY22 NPR/FPP, as provided by the hospital, in addition to comparing the NPR/FPP on a budget-to-budget basis, to determine how the hospital aligns with the Board's guidance. *See* 2023 Hospital Budget Deliberations (August 31, 2022) (Deliberations Hearing), Hearing Transcript 120:19-121:23. Using a hospital's growth from projected FY22 NPR/FPP to FY23 budgeted NPR/FPP provided a view of the hospital's growth that reflects the economic and operational pressures hospitals faced in FY22.

### **FY23 REVIEW PROCESS**

Hospitals submitted their FY23 budgets to the GMCB on or about July 1, 2022 and presented their budgets at public GMCB meetings between August 15, 2022 and August 26, 2022. The Board and its staff reviewed and analyzed FY23 budget information submitted and presented by the hospitals, including detailed financial information, utilization data, inflation costs, population health goals, value-based care participation, patient access data and specific

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<sup>3</sup> The Board's FY22 Guidance is available at <https://gmcbboard.vermont.gov/sites/gmcb/files/documents/FY23%20Hospital%20Budget%20Guidance-%20FINAL.pdf>.

quantitative and qualitative measures for patient wait times, budget-to-budget and projected-to-budget NPR/FPP growth rates, trended NPR/FPP growth rates forward from FY19 as a pre-pandemic base year, prior budget performance, requested changes in charges, and the estimated impact of changes in charge on commercial rates.

In addition, the Board commissioned the State's economists to provide a review and analysis of generally accepted measures of medical inflation, which the State's economists provided to the Board in a report<sup>4</sup> and at a public meeting on August 31, 2022. The Board received and considered comments from the HCA and from members of the public. The Board also considered each hospital's unique circumstances, including its health care reform efforts, capital and infrastructure needs, hospital-specific risks and opportunities, and applicable cost-reduction initiatives.

The hospitals requested a systemwide NPR/FPP increase of 10.2% over the systemwide FY22 budgeted NPR/FPP. Preliminary Review, 14. After considering presentations from and discussions with hospital leadership, analysis prepared by GMCB staff, and input from the HCA and the public, the Board established hospital budgets that approved each hospital's NPR/FPP growth as submitted. Approved Budgets, 5.

The Board also reviewed each hospital's proposed change in charge, which is the average amount by which a hospital increases its charges.<sup>5</sup> A hospital's overall change in charge is not the same as the increase paid by commercial payers. The Board collected and reviewed from each hospital its estimated impact on commercial rate payers that would result from the hospital's budgeted change in charge. The respective payers — Medicare, Medicaid, and commercial — do not reimburse each hospital the same amount for the same services. See Deliberations, 18-20. For example, commercial payers can negotiate reimbursements with each hospital separately, resulting in pricing variations, while Medicaid and Medicare prices are not typically negotiable, and reimbursement is instead established through each payer's unique fee schedule and update factors. Hospitals generally did not budget for an increase in Medicaid reimbursement in FY23. After hospitals submitted their budgets and before the Board deliberated, increased Medicare reimbursement rates were announced, along with additional funding being made available by the Vermont Department of Health Access. See Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Policy Changes and Fiscal Year 2023 Rates; etc. (CMS-1771-F), 87 Fed. Reg. 48,780 (August 10, 2022); Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs; etc. (CMS-1772-P), 87 Fed. Reg. 44,502 (proposed July 26, 2022); Letter from Andrea DeLaBruere, Commissioner, Department of Vermont Health Access (August 31, 2022).<sup>6</sup>

Vermont community hospitals continue to transition to a value-based payment system

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<sup>4</sup> A copy of the report is available at [https://gmcbboard.vermont.gov/sites/gmcb/files/documents/GMCB\\_Report%2008.22.22\\_FINAL\\_withAppendix.pdf](https://gmcbboard.vermont.gov/sites/gmcb/files/documents/GMCB_Report%2008.22.22_FINAL_withAppendix.pdf).

<sup>5</sup> Changes to the actual charges vary by hospital and across service lines and by procedure.

<sup>6</sup> A copy of the letter is available at [https://gmcbboard.vermont.gov/sites/gmcb/files/documents/GMCB%20Letter\\_08-31-22.pdf](https://gmcbboard.vermont.gov/sites/gmcb/files/documents/GMCB%20Letter_08-31-22.pdf).

focused on prevention, wellness, and health. Hospitals expected fixed prospective payments as a percentage of NPR/FPP for FY23 range from 0% to 21.7%. Preliminary Review, 19. Out of approximately \$3.3 billion NPR/FPP for all Vermont community hospitals in FY23, \$384 million, or 12%, is expected to be in the form of fixed prospective payments for FY23. *Id.* The percentage of NPR/FPP in the form of fixed prospective payment in FY23 is a decrease from FY22, which had approximately 14% of NPR/FPP in the form of fixed prospective payments. Preliminary Review, 18.

The Board also considered each hospital's extraordinary labor costs and investments, as well as the impacts of those costs and investments on the affordability of health care, in accordance with Act 85 of 2022. See FY23 Guidance, 6. Other factors considered by the Board in reviewing each hospital's budget included the impacts on Vermonters and employers in the commercial market, including self-funded employers, and considerations of Medicare and/or Medicaid payment changes on the commercial rate increases, impacts of Medicare and/or Medicaid payment changes and changes to rate of uninsured, hospital reimbursement variation data, cost, and cost coverage data, Data relative to payments to similar hospitals, relative costs for similar hospitals, and payer mix, and generally accepted measures of medical inflation. See *id.*

To organize and facilitate the consistent review of each hospital, GMCB staff presented a review of each hospital in the form of a decision tree that analyzed whether the hospital's proposed budget fell within the Board's NPR/FPP growth guidance, whether the hospital's budget assumptions were supported in its budget submission, and whether the hospital's charge request was supported by its submission. See FY23 Guidance, 5-6. To review the hospital's budget in the context of generally accepted measures of medical inflation and increased labor costs, the Board reviewed each hospital's compensation growth and other inflationary growth against benchmarks reviewed by the State's economists. See Deliberations, 27-28.

BMH filed its FY23 budget submission on July 1, 2022. BMH requested a 13.3% increase in its NPR/FPP from its FY22 budget and a 14.9% overall change in charge. Brattleboro Memorial Hospital FY23 Budget Submission, Narrative, 2-3, (BMH Submission); BMH Submission, Appendices, Appendix 2; Deliberations III, 30. BMH's FY22 budget-to-projection variance is 2.5% (i.e., its FY22 projected NPR/FPP is 2.5% more than its FY22 budget), and as a result the hospital's FY23 budgeted NPR/FPP represents a 10.5% increase from its projected FY22 results. See BMH Submission, Staff Analysis, Income Statement, 3. BMH's FY23 NPR/FPP increase, measured from FY22 budget or FY22 projections, exceeds the 8.6% NPR/FPP growth guidance established by the Board.

BMH's senior leadership presented the FY23 budget to the Board at a public hearing held August 24, 2022. See North Country Hospital Fiscal Year 2023 Budget Presentation (Aug. 15, 2022) (BMH Presentation), 1. On September 12, 2022, following GMCB staff presentations and deliberation, the Board approved BMH's budget with a 13.3% increase in NPR/FPP for FY23, as submitted, and a 14.61% increase in average overall charges, modified from 14.9%, with the overall effective commercial rate increase being approximately 10.2%.

Based on the above, the Board issues the following Findings, Conclusions, and Order:

## FINDINGS

### Systemic Factors

1. COVID-19 (SARS-CoV-2) and its variants have significantly impacted hospital operations and budgets in Vermont, from the first reported case in March, 2020, through the current hospital budget review process.
2. Federal and state governments provided financial assistance to health care providers during the pandemic. Vermont hospitals received approximately \$191 million in COVID-19 related funding in FY20, and approximately \$128 million in COVID-19-related funding for FY21 on a statewide basis. All Vermont Community Hospitals, Fiscal Year 2023 Submitted Budget, 3 (All Hospital Summary). For FY22, hospitals projected approximately \$55 million in COVID-19-related funding, and for FY23, hospitals have budgeted a statewide total of approximately \$5 million in COVID-19 funding. *Id.*
3. Average hourly earnings increased 8.5% from June, 2021 to June, 2022, according to the U.S. Bureau of Labor Statistics (BLS). See U.S. Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics survey (National), Average hourly earnings of production and nonsupervisory employees, hospitals, seasonally adjusted (2020-2022), available at <https://beta.bls.gov/dataViewer/view/timeseries/CES6562200008>. Forecasts for personal income growth from 2022 to 2023 include an estimate of 4.5% from the Centers for Medicare and Medicaid Services and 5.3% from Moody's. Initial Economic Analysis and Summary Consensus Recommendations Associated with Green Mountain Care Board Budgetary Review Process, Economic and Policy Resources, Inc. and Kavet, Rockler & Associates, LLC (August 22, 2022), 42. Combined, a reasonable growth range for labor costs would be 13.0% to 13.8%.
4. Measures of anticipated inflation for 2022 to 2023 include forecasted growth of PCE-Services of 4.1%, a GDP Deflator of 4.4%, and a CPI-U of 4.5%. Initial Economic Analysis and Summary Consensus Recommendations Associated with Green Mountain Care Board Budgetary Review Process, Economic and Policy Resources, Inc. and Kavet, Rockler & Associates, LLC (August 22, 2022), 44-45. The different benchmarks are explained in the economists' report. See *id.*, 7-8.

### BMH Budget Submission

5. BMH is a prospective payment system hospital located in Brattleboro, Vermont. BMH's FY23 submitted NPR/FPP accounted for approximately 3.2% of the total submitted NPR/FPP for all 14 regulated hospitals in the State. *See Preliminary Review*, 15.
6. BMH submitted its FY23 budget on July 1, 2022. BMH requested a 13.3% growth in NPR/FPP from its FY22 budget, for a total of \$105,484,860. *See BMH Submission*, Staff Analysis, Income Statement, 3. BMH's growth in NPR/FPP from its FY22 projections to

FY23 budget is 10.5%. See *id.* BMH's FY22 budget-to-projection variance is 2.2%. See BMH Submission, Staff Analysis, Income Statement, 3.

7. Utilization changes, including a payer mix shift, accounts for approximately 36% of BMH's NPR/FPP increase from FY22 to FY23 budgets. See BMH Submission, Narrative, 2. BMH budgeted a 4.8% utilization increase from its FY22 budget, and a 0.8% increase from the hospital's FY22 projections. See Deliberations III, 36. The hospital expects volume to increase in increases in lab, reimbursable orthopedic supplies, joint replacement surgeries, pharmaceutical (infusion/chemo). See *id.* The range of increases for utilization assumptions in all Vermont hospital budgets was -2.7% to 8.2%, with a median of 2.1%. See Deliberations III, 31.
8. BMH's FY23 NPR/FPP increase from FY21 includes compensation growth of 6.9%. See Deliberations III, 31; BMH Submission, Appendices, Appendix 4. The range for the submitted budgets for all Vermont hospitals is -12.8% to 12.4%, with a median of 6.7%. See Deliberations III, 31.
9. BMH's FY23 NPR/FPP increase from its FY22 budget includes other inflationary growth that includes an additional \$700,000 for fuel costs. See BMH Presentation, 12. Most of BMH's anticipated \$8.2 million attributable to inflation is from wage increases and contract labor. See *id.* The range for submitted budgets for all Vermont hospitals is -2.7% to 14.7%, with a median of 2.1%. See Deliberations III, 31.
10. BMH submitted its FY23 budget with a requested average overall charge increase of 14.9%. See BMH Submission, Appendices, Appendix 2; Deliberations III, 31. BMH's effective commercial rate increase is approximately 10.5%, based on estimates developed with GMCB staff. See Deliberations III, 31. The range of commercial rate increases proposed by all Vermont hospitals was 2.9% to 19.9%, with a median of 8.0%. See Deliberations III, 31.
11. BMH's requested 14.9% change in charge for FY23 is above the estimated weighted average of 10.7%. Preliminary Review, 10. BMH's six year (FY17-FY22) median approved change in charge is approximately 4%, with a range from approximately 3% to 6%. Preliminary Review, 11.
12. BMH's FY23 budget assumptions include no significant increase in Medicare or Medicaid payment rates for the hospital. See BMH Submission, Narrative, 2-3. BMH did not make any significant changes to its revenue assumptions for Medicare or Medicaid. See *id.*; BMH Submission, Appendices, Appendix 2. Approximately 66% of BMH's NPR/FPP increase from FY22 to FY23 comes from the impact of its rate increase, with the remainder from utilization and payer mix changes. See BMH Submission, Narrative, 2.
13. BMH included an analysis with a reasonable methodology showing how its change in charge is less than its total change in rates in an amount equal to increases in Medicaid and Medicare, at the time of its budget submission, and changes in bad debt and charity care. See BMH Submission, Narrative, 2-3; BMH Submission, Appendices, Appendix 2.

14. After submission of its FY23 budget, the amount of expected 2023 Disproportionate Share Payments (DSH) for BMH decreased by approximately \$43,000, from a budgeted \$617,000 to an estimated \$575,000. See Letter from Andrea DeLaBruere, Commissioner, Department of Vermont Health Access (August 31, 2022); Deliberations III, 38.
15. In August, the Centers for Medicare & Medicaid Services (CMS) issued the final rule for FY23 rates for Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals (IPPS Rule), which affected PPS hospital Medicare inpatient rates. See Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Policy Changes and Fiscal Year 2023 Rates; etc. (CMS-1771-F), 87 Fed. Reg. 48,780 (August 10, 2022). CMS also proposed an increase for Medicare reimbursements for outpatient services (OPPS Rule), though the rule has not been finalized. See Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs; etc. (CMS-1772-P), 87 Fed. Reg. 44,502 (proposed July 26, 2022). The final IPPS rule increases BMH's estimated inpatient Medicare by approximately \$234,000, which would have an impact of reducing BMH's rate by 0.36 percentage points. See Deliberations III, 38. The OPPS Rule is not currently being applied to designated Medicare dependent hospitals, like BMH. See Deliberations III, Draft Hearing Transcript, Testimony of Chris Dougherty, 83:1-83:9.
16. BMH's FY23 budget includes total operating expenses of \$108,480,389, an increase of approximately \$11.6 million, or 12.0%, over budgeted FY22. BMH Submission, Staff Analysis, Income Statement, 3. BMH's budgeted FY23 operating expenses are approximately \$5.7 million more than its projected FY22 operating expenses because the hospital's projected FY22 operating expenses are 6.1% greater than its budgeted FY22 operating expenses. See id.
17. For FY23, BMH budgeted an operating margin of \$727,000, or approximately 0.7%, and a total margin of 0.7%. BMH Submission, Staff Analysis, Income Statement, 3. BMH projects a 3.5% operating loss for FY22. See BMH Presentation, 7. For FY21, BMH had an operating margin of -1.7% and a 4.0% total margin. BMH Submission, Staff Analysis, Income Statement, 3.
18. BMH cites "unprecedented workforce shortages affecting rural hospitals with particular force" as a key risk for FY23. See BMH Submission, Narrative, 1; BMH Presentation, 17. To address staffing shortages, BMH utilizes travelers and contract labor – from a spend of \$242,000 on contract labor in FY21 to a projected \$4.1 million in FY22. See BMH Presentation, 18. BMH has made investments in recruiting and retention of staff through several programs and initiatives, including compensation, a nursing residency program, educational and professional development opportunities, talent pipeline development, and other initiatives to strengthen BMH's culture. See BMH Presentation, 19.
19. BMH will focus on reducing staff and provider turnover, implementing productivity benchmarks, and creating flexible staffing protocols as strategies for cost savings in FY23. See BMH Submission, Narrative, 6. BMH's new leadership team started after BMH developed its budget, and consequently the cost savings initiatives are not included in the FY23 budget. See id.



20. A source of other operating revenue for BMH comes from the 340B Drug Pricing Program. BMH budgeted approximately \$1.7 million in 340B revenue for FY23, which is a -22.0% decrease from the hospital's FY22 budget and approximately \$50,000 less than BMH's projected 340B revenue for FY22. See BMH Submission, Staff Analysis, Income Statement, 3.
21. For 2023, BMH plans to be a participating provider in OneCare Vermont's Medicare, Medicaid, and commercial programs. See BMH Submission, Narrative, 12. BMH projects that approximately \$13.9 million of its FY23 patient services income will be paid in FPPs. See BMH Submission, Staff Analysis, Income Statement, 3. This represents 13.1% of BMH's budgeted FY23 NPR/FPP, which is more than the systemwide total of 12% of NPR/FPP paid as FPP. See *id*; Preliminary Review, 19. For FY22, BMH budgeted approximately \$13.9 million of its \$93 million NPR/FPP, or 14.9%, to be paid in FPPs. See BMH Submission, Staff Analysis, Income Statement, 3.
22. BMH's budget anticipates 128.5 days cash on hand in FY23. BMH Submission, Staff Analysis, Balance Sheet, 4. BMH expects to have 149.9 days cash on hand at the end of FY22. *Id.* BMH's FY23 cash position is budgeted to be less than it had budgeted for FY22 (160.1 days cash on hand), less than it had in FY21 (213.6 days cash on hand), and less than it had for FY20 (219.5 days cash on hand). *Id.* BMH's days cash on hand is less the Vermont median for PPS hospitals of 136, and below the benchmarks for Northern New England and Northeast PPS hospitals. See Preliminary Review, 44.
23. BMH is a designated Medicare-dependent hospital and low volume hospital, but unique among Vermont hospitals, BMH's designation is set to sunset at the end of September 2022, creating a significant risk for BMH. See BMH Presentation, Hearing Transcript, Testimony of Chris Dougherty, 150:13-151:5. BMH is working to extend the designation. See *id*; BMH Submission, Narrative, 9.
24. BMH's narrative, presentation, and other filed budget information comply with the Board's FY23 hospital budget requirements.
25. Approving BMH's budget as outlined below will promote the efficient and economic operation of the hospital and is consistent with the current Health Resource Allocation Plan (HRAP) and ongoing community needs in BMH's Health Service Area.

### **CONCLUSIONS**

Vermont's hospitals continue to face significant, arguably unprecedented, strain from the combination of inflation, staffing and workforce challenges, and the impact of the evolving COVID-19 pandemic. The effect is being felt in hospitals' operations, their finances, and by their health care providers and other staff on a daily basis.

BMH's FY23 NPR/FPP growth exceeds the Board's guidance, whether the growth is measured from the hospitals FY22 budget, at 13.3%, or from the hospitals FY22 projections, at

10.5%. See Findings ¶ 6. Because BMH did not meet the budget guidance, we reviewed its budget carefully to determine if the submission supported approving growth in excess of the guidance. We concluded that BMH's FY23 NPR/FPP is justified as submitted based on the hospital's reasonable assumption of utilization increase, which is based on its FY22 actual volume, other inflation assumptions, and the risk of BMH's designated Medicare dependent and low volume hospital status. See Findings ¶¶ 7, 8, 9, 23. The hospital's expected volume increase is reasonable based on FY22 volumes and expected additional providers. See Findings ¶7. BMH's compensation growth from FY21 to FY23 is 6.9%, which is less than 13.8%, which is based on a generally accepted data from BLS, CMS and Moody's. See Findings ¶¶ 3, 8. BMH's other inflationary growth was not presented in the same format as other hospitals, but it is based on factors, such as increased fuel costs, that are in line with increases seen at other hospitals. See Findings ¶¶ 4, 9. BMH's effective commercial rate increase, at approximately 10.5%, is above the median of all hospitals. See Findings ¶ 10.

Because BMH's estimated commercial rate increase exceeds the state median, we look to reduce the impact on the commercial payers by adjusting the rate increase for public payer increases that were not anticipated in BMH's budget. BMH's budget does not include increases in Medicare rates that were not known when BMH submitted its budget, but can now be estimated based on the final IPPS Rule from CMS (the OPSS Rule is not currently being applied to designated Medicare dependent hospitals). See Findings ¶ 15. Unanticipated revenue from the increase in Medicare IPPS Rule would reduce BMH's change in charge by approximately \$234,000, and the change in FY23 DSH would increase BMH's change in charge by approximately \$43,000. See Findings ¶¶ 14, 15. Applying both variances to BMH's submitted change in charge, we modified BMH's budget by reducing its overall change in charge from 14.9% to 14.61%, with the estimated commercial effective rate increase being reduced from 10.5% to 10.21%, and we approve BMH's budget with a 13.3% increase in NPR/FPP from its FY22 budget, as submitted.

### **ORDER**

Based on our findings and conclusions and the authority granted by Chapter 221, Subchapter 7 of Title 18, BMH's budget is approved as modified for FY23 subject to the following terms and conditions:

- A. BMH's FY23 NPR/FPP budget is approved at a growth rate of 13.3% over its FY22 budget, with a total NPR/FPP of \$105,484,860 for FY23.
- B. BMH's overall average charge increase is approved at not more than 14.61% over current approved levels.
- C. Beginning on or before November 20, 2022, and every month thereafter, BMH shall file with the Board the actual year-to-date FY23 operating results as of the end of the prior month. The report shall be in a form and manner as prescribed by GMCB staff.



s/ Robin Lunge ) CARE BOARD  
 ) OF VERMONT  
s/ Tom Pelham )  
 )  
s/ Thom Walsh )

Filed: September 30, 2022

Attest: s/ Jean Stetter  
Green Mountain Care Board  
Administrative Services Director

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